



**Mary Mosiman, CPA  
Auditor of State**

***Iowa's Financial Forecast***

**March 2015**

## **State of Iowa Budget**

Remarks today will focus on:

- About the Office
- Review Standard: Sound Budgeting Principles
- State of Iowa Proposed Budget
- An Analysis of the Information
- Fiduciary Responsibilities

## Iowa Auditor of State Audit Entities

### **Primary**

- State Agencies and Departments – including Regents and State Universities

### **Oversight**

- Community Colleges
- Counties
- Cities
- School Districts

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## Iowa Auditor of State

### **Types of work**

- Financial audits
  - Iowa's Comprehensive Annual Financial Report
- Compliance audits
  - Iowa's Single Audit Report
- Performance audits
- Special investigations

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## Iowa Auditor of State

### Operations

- Employees – 100+
- Budget – \$9 million
- Audit hours per year – 150,000
  - 2/3 State government
  - 1/3 Local governments

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## Iowa Auditor of State Mission

*The mission of the Office of Auditor of State is to benefit all citizens of Iowa by providing audit, review, and other technical services to state and local governments to ensure the effective, economical businesslike conduct of public activities in a prudent, accountable manner to achieve the intended purposes.*

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## State of Iowa Sound Budgeting Principles

- Avoid use of one-time resources for ongoing expenses.
- Avoid multiyear accelerating commitments.
- Avoid new automatic, or “standing,” appropriations.
- Accurately determine revenue and expenses.
- Align expenses and revenue in the same fiscal year.
- Avoid shifting program funding to property taxes or fees.
- Avoid diversion of funds statutorily authorized for a specific objective to other purposes.

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## State of Iowa Sound Budgeting Principles

Following sound budgeting principles  
produce budgets which are—

- complete
- transparent
- sustainable

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## State of Iowa Budget Projected Condition of the General Fund Budget (\$ in Millions)

	Actual FY2014	Estimated FY2015	Gov. FY2016	Gov. Rec. FY2017
Resources				
Receipts	\$7,712.0	\$8,058.4	\$8,453.6	\$7,482.4
Refund (Accrual Basis)	(955.3)	(903.6)	(916.6)	-
School Infrs. Refunds (Accrual)	(440.4)	(451.2)	(472.3)	-
Accruals (Net)	(16.2)	26.4	27.3	-
Transfers	<u>189.0</u>	<u>127.1</u>	<u>102.6</u>	<u>-</u>
Subtotal Net Receipts	\$6,489.1	\$6,857.1	\$7,194.6	\$7,482.4
Revenue Adjustments	-	(99.0)	17.2	17.6
Surplus Carryforward	<u>679.3</u>	<u>642.2</u>	<u>374.2</u>	<u>212.8</u>
Total Available Resources	<u>\$7,168.4</u>	<u>\$7,400.3</u>	<u>\$7,586.0</u>	<u>\$7,712.8</u>
Expenditure Limitation			\$7,513.9	\$7,637.8
Estimated Appropriations and Expenditures:				
Enacted Appropriations	\$6,482.6	\$6,986.5	\$7,341.0	\$7,525.2
Adjustments to Standing Appropriations	<u>-</u>	<u>7.8</u>	<u>-</u>	<u>-</u>
Total Appropriations	\$6,482.6	\$6,994.3	\$7,341.0	\$7,525.2
Reversions	<u>(21.0)</u>	<u>(5.0)</u>	<u>(5.0)</u>	<u>(5.0)</u>
Net Appropriations	<u>\$6,461.6</u>	<u>\$6,989.3</u>	<u>\$7,336.0</u>	<u>\$7,520.2</u>
Ending Balance - Surplus	<u>\$706.8</u>	<u>\$411.0</u>	<u>\$250.0</u>	<u>\$192.6</u>

Source: LSA

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## State of Iowa Budget Appropriations – General Fund (\$ in Millions)

	Final Action FY15	Gov Proposal FY16	FY15-16 Change
Admin & Reg	\$430.3	\$575.4	\$145.1
Ag & Natural Resources	43.1	44.6	1.5
Economic Development	44.1	46.0	1.9
Education	3,865.8	3,994.1	128.3
HHS	1,859.2	1,931.2	72.0
Justice	736.9	749.7	12.8
Transportation	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Total Approps --			
General Fund	<u>\$6,979.4</u>	<u>\$7,341.0</u>	<u>\$361.6</u>

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**State of Iowa Budget**  
**Appropriations – Other Funds**  
(\$ in Millions)

	<u>Final Action FY15</u>	<u>Gov Proposal FY16</u>	<u>FY15-16 Change</u>
Admin & Reg	\$78.1	\$106.4	28.3
Ag & Natural Resources	89.6	88.2	(1.4)
Economic Development	33.7	17.1	(16.6)
Education	40.6	57.5	16.9
HHS	431.8	286.7	(145.1)
Justice	14.0	14.0	0.0
Transportation	<u>507.4</u>	<u>544.4</u>	<u>37.0</u>
Total Approps -- Other Funds	<u>\$1,195.2</u>	<u>\$1,114.3</u>	<u>(\$80.9)</u>

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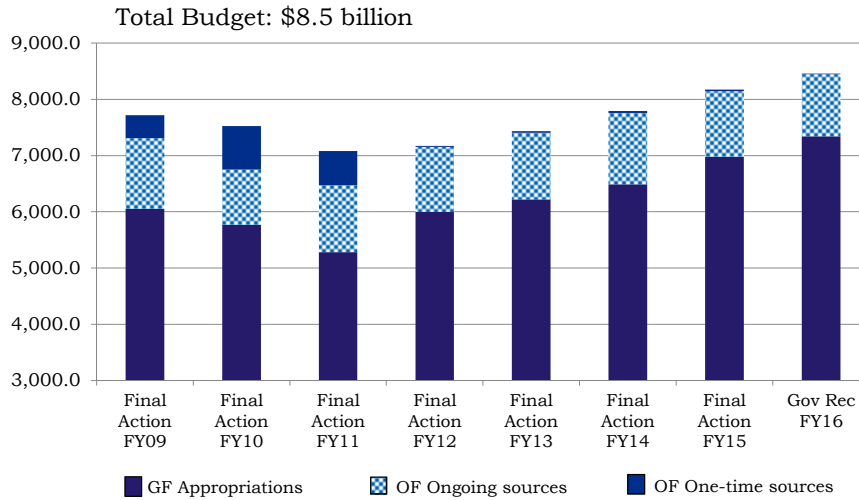
**State of Iowa Budget**  
**Appropriations – General Fund and Other Funds**  
(\$ in Millions)

	<u>Final Action FY15</u>	<u>Gov Proposal FY16</u>	<u>FY15-16 Change</u>
Admin & Reg	\$508.4	\$681.8	173.4
Ag & Natural Resources	132.7	132.8	0.1
Economic Development	77.8	63.1	(14.7)
Education	3,906.4	4,051.6	145.2
HHS	2,291.0	2,217.9	(73.1)
Justice	750.9	763.7	12.8
Transportation	<u>507.4</u>	<u>544.4</u>	<u>37.0</u>
Total Approps -- All Funds	<u>\$8,174.6</u>	<u><u>\$8,455.3</u></u>	<u>\$280.7</u>

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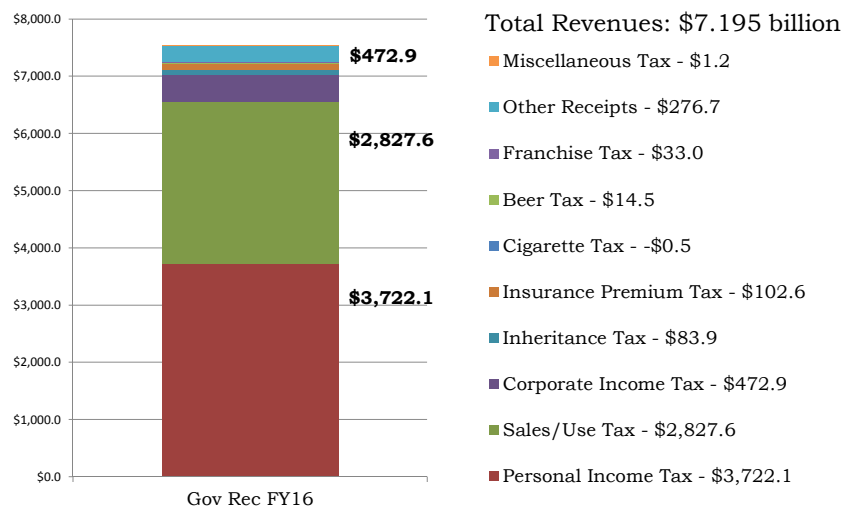
## State of Iowa Budget Appropriations – General Fund (GF) and Other Funds (OF) (\$ in Millions)



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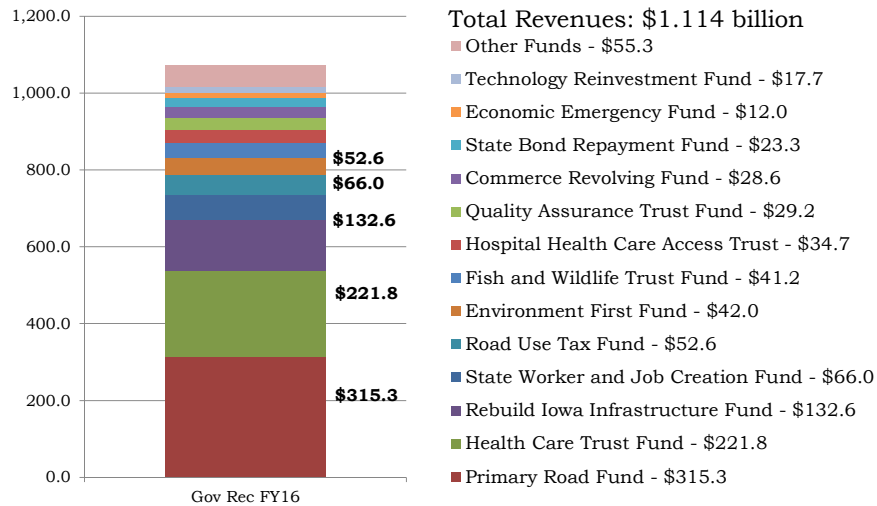
## State of Iowa Budget FY 2016 Revenues – General Fund (\$ in Millions)



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## State of Iowa Budget FY 2016 Funding Sources – Other Funds (\$ in Millions)



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## State of Iowa Analysis - Revenues (\$ in Millions)

	Governor's Proposal FY16
REC December 2014 Revenue Estimate	\$7,195
Revenue Adjustments	<u>17</u>
Adjusted Revenue Estimate	7,212
Revenue Supporting Other Fund Expenditures	<u>1,114</u>
Total Revenue Supporting State Budget	<u><u>\$8,326</u></u>

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**State of Iowa**  
**Analysis – Surplus/Spending Gap**  
(\$ in Millions)

	Governor's Proposal <u>FY16</u>
Total Revenue Supporting State Budget	\$8,326
Surplus Carryforward	<u>374</u>
Total Resources	8,700
Appropriations - GF and Other Funds	<u>(8,455)</u>
Ending Balance	<u><u>\$245</u></u>

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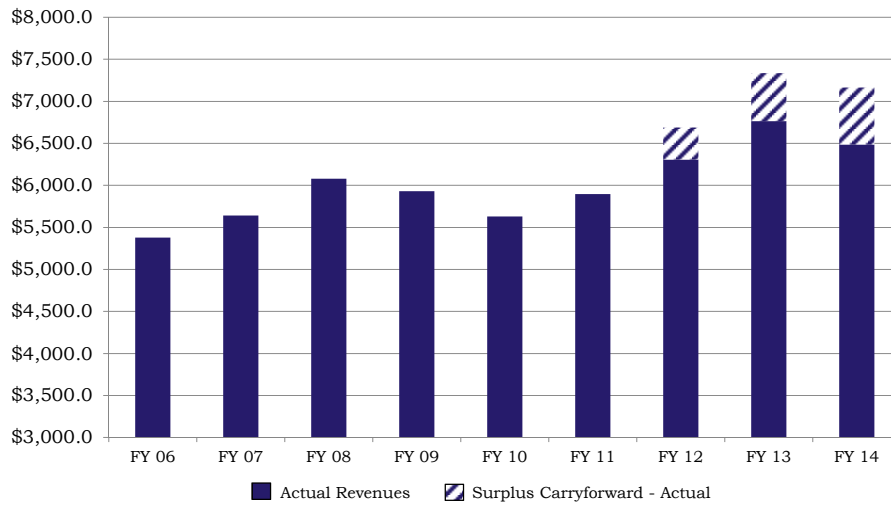
**State of Iowa**  
**Analysis – Surplus/Spending Gap**  
(\$ in Millions)

	Governor's Proposal <u>FY16</u>
Total Revenue Supporting State Budget	\$8,326
<u>Surplus Carryforward</u>	<u>0</u>
Total <u>Ongoing</u> Resources	8,326
Appropriations - GF and Other Funds	<u>(8,455)</u>
Gap Between Ongoing Revenues and Ongoing Spending	<u><u>(\$129)</u></u>

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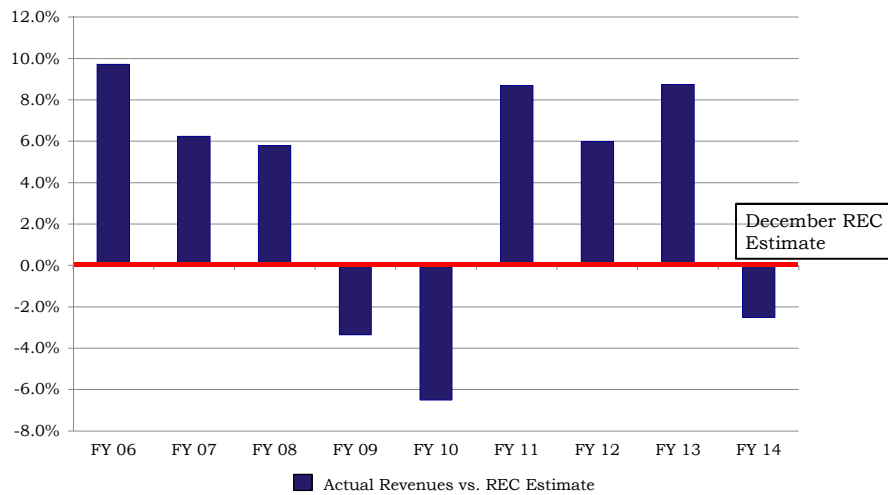
## State of Iowa Budget Total General Fund Resources



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## State of Iowa Budget Analysis – Actual Revenues vs. REC Revenue Estimate



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## State of Iowa Budget

- Budgeting Principle – “Avoid using one-time resources for ongoing expenses.”
- Surplus carryforward balance is not reliable source of revenue.
- \$12 million of appropriations from the Economic Emergency Fund – a one-time/limited time source.

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## State of Iowa Budget FY16 Budget Highlights

- Property Tax Reform
- Education
- Medicaid
- Transportation
- Pension Systems
- Federal Funds

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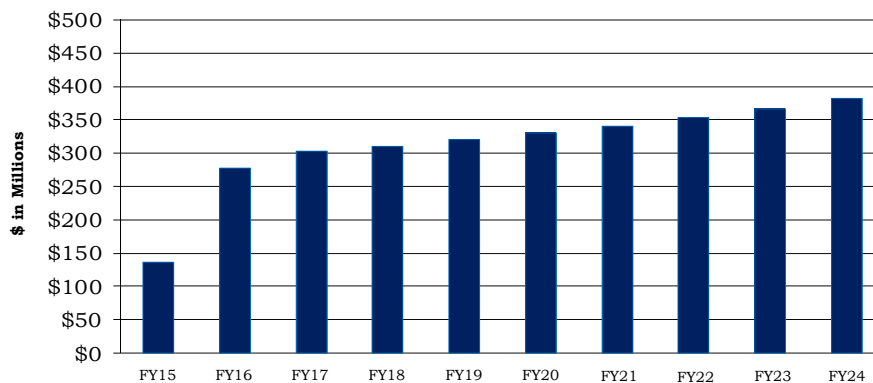
## State of Iowa Budget Property Tax Reform

- Budgeting Principle – “Avoid multiyear accelerating commitments”
- Property Tax Reform commitment:
  - \$136 million in FY 2015 to \$383 million in FY 2024
- FY 2016 impact is \$277 million

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## State of Iowa Budget Property Tax Reform State Appropriation to Local Governments

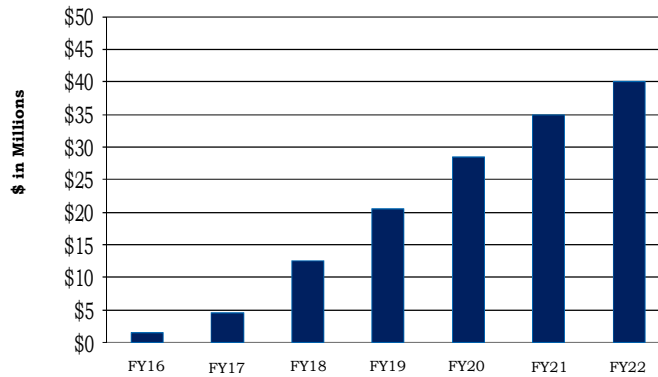


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## State of Iowa Budget Education

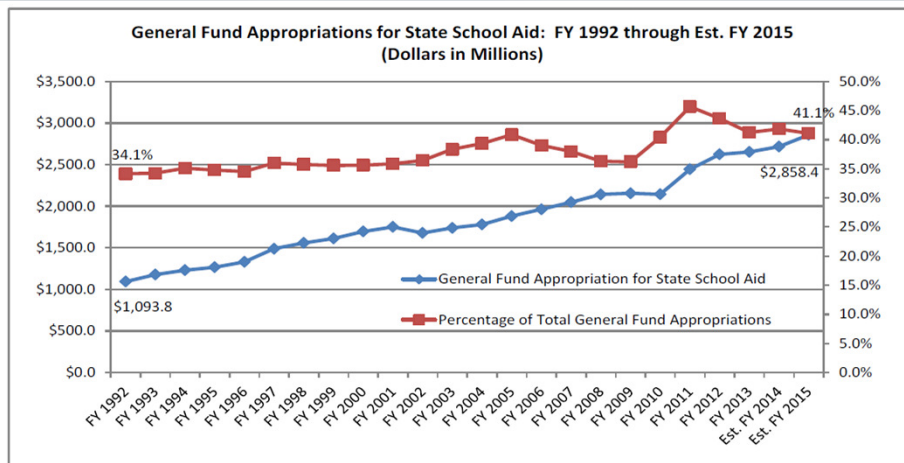
### Reform Law – Teach Iowa Scholar Program



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## State of Iowa Budget State Foundation School Aid (\$ in Millions)



Source: LSA, Budget Unit Fiscal Topic – State Foundation School Aid

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## State of Iowa Budget Medicaid

- Governor's proposed budget funds Medicaid at Forecasting Group midpoint – a budgeting best practice.
- FY 2015 Final Action budget underfunded the midpoint by \$53 million.

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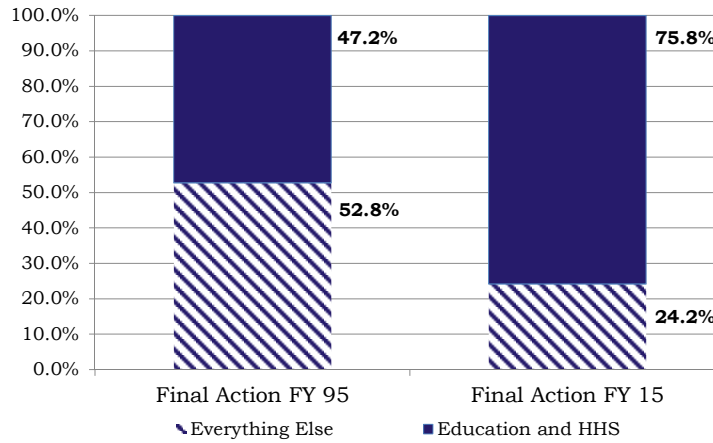
## State of Iowa Budget Medicaid

<u>Calendar Year</u>	<u>Federal FMAP %</u>
2014	100.00%
2015	100.00%
2016	100.00%
2017	95.00%
2018	94.00%
2019	93.00%
2020	90.00%
2021	90.00%

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## State of Iowa Budget Education and HHS (\$ in Millions)

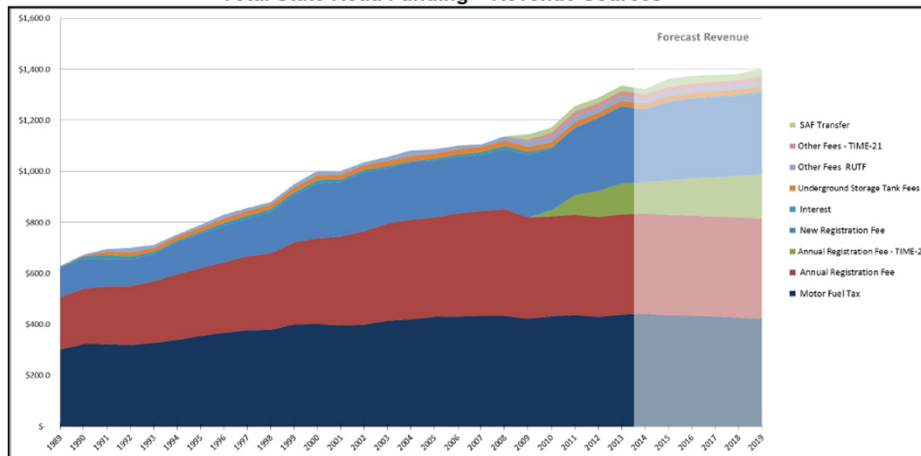


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## State of Iowa Budget Transportation

### Total State Road Funding – Revenue Sources

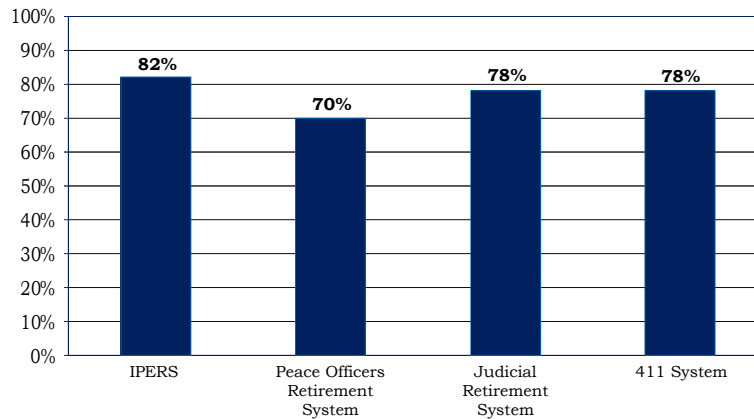


Source: LSA, Recent Motor Vehicle Fuel Tax Proposals,  
<https://www.legis.iowa.gov/docs/publications/IR/250095.pdf>

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## State of Iowa Budget Iowa's Pension Systems FY 2014 Funded Ratio

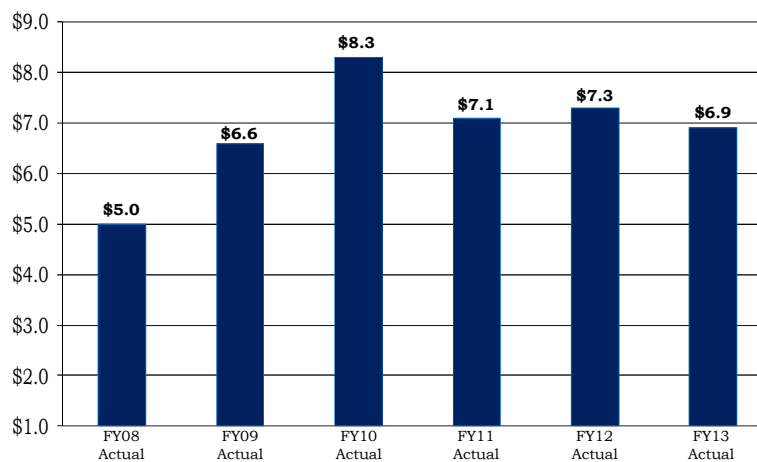


Source: LSA, Summary of FY 2016 Budget and Governor's Recommendations, p. 277

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## State of Iowa Budget Challenges Ahead – Reliance on Federal Monies (\$ in Billions)



Source: AOS, State of Iowa Single Audit Reports, FY 2008 – FY 2013

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## State of Iowa Budget Iowa's Long-Term Fiscal Challenges

- One-time resources used for ongoing expenses
- Multi-year accelerating commitments
- Salary and benefit cost increases
  - 7<sup>th</sup> consecutive year not included in budget
- Cost of government and sustainability

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## State of Iowa Budget Sources and References

- LSA, Summary of FY 2016 Budget and Governor's Recommendations
- Governor's Office, Iowa's Program and Budget, Fiscal Years 2016-2017
- LSA, 2005-2014 Session Fiscal Reports
- LSA, Issue Review – Federal Medical Assistance Matching Rates, <https://www.legis.iowa.gov/docs/publications/IR/401788.pdf>
- LSA, Budget Unit Fiscal Topic – State Foundation School Aid
- LSA, Recent Motor Vehicle Fuel Tax Proposals, <https://www.legis.iowa.gov/docs/publications/IR/250095.pdf>

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## Questions



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